



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G 05-82
)	
The Market Conduct Examination of)	FINDINGS, CONCLUSIONS,
)	AND ORDER ADOPTING REPORT
Farmers New World Life)	
Insurance Company)	OF
)	MARKET CONDUCT EXAMINATION
)	
Authorized Domestic Life Insurer)	
)	

BACKGROUND

An examination of the market conduct of **Farmers New World Life Insurance Company** (the Company) as of June 30, 2004 was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company, domiciled in the state of Washington, holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on August 15, 2005. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the responses.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 34 of the report.

Farmers New World Life Insurance
Order Adopting Examination Report

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CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct examination of **Farmers New World Life Insurance Company** and to order the Company to take the actions described in the Instructions and Recommendations section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The market conduct examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, this being the Instructions and Recommendations contained in the examination report on pages 25 and 26.

1. The Company is ordered to ensure that all agents and brokers are licensed with the State of Washington prior to soliciting business. Reference: RCW 48.17.060(1), RCW 48.17.060(2). (Agent Activity Standard #1.) Instruction 1.
2. The Company is ordered to ensure that agents are appointed to represent the Company prior to allowing them to solicit business on behalf of the Company. Reference: RCW 48.17.160(1). (Agent Activity Standard #2.) Instruction 2.
3. The Company is ordered to maintain complete claim files with all notes and work papers in such detail that the claims history can be reconstructed. Reference: WAC 284-30-340. (Claims Standard #1.) Instruction 3.
4. The Company is ordered to pay interest on death claims in accordance with the regulations. Reference: RCW 48.23.300. (Claims Standard #8.) Instruction 4.
5. The Company is ordered to correct death claim paying procedures to ensure all death benefits payable under the terms of a life insurance policy are paid based on the decedent's resident state at time of death and in accordance with Washington law. Revised procedure training is required for all examiners. Reference: RCW 48.23.300. (Claims Standard #8.) instruction 5.

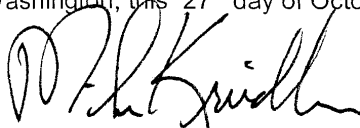
6. The Company is ordered to review all death claims paid from January 1, 2003 forward to ensure that all claims on Washington residents at time of death were paid in accordance with Washington law. The Company will have 90 days from the adoption of this report to notify the OIC of the audit results and additional amount paid, if any. Reference: RCW 48.23.300. (Claims Standard #8.) Instruction 6.
7. The Company is ordered to implement standards to ensure that juvenile life applications are appropriate. Reference: RCW 48.23.345. (Underwriting and Policy Issue Standard #9.) Instruction 7.
8. The Company is ordered to maintain a copy of any illustration used in the sale of a policy, an acknowledgement that no illustration was used, or a signed copy noting a "revised illustration." Reference: RCW 48.23A.060. (Underwriting and Policy Issue Standard #11.) Instruction 8.
9. The Company is ordered to require a statement signed by the applicant regarding replacement of an existing policy. Reference: WAC 284-23-450(2). (Policy Replacement Standard #2.) Instruction 9.
10. The Company is ordered to require a statement signed by the agent indicating whether or not replacement is involved. Reference: WAC 284-23-455(1). (Policy Replacement Standard #3.) Instruction 10.
11. The Company is ordered to consider maintaining full and adequate records and cease relying on its agents and brokers to maintain full file documentation. Reference: RCW 48.05.280. (General Examination Standard #4.) Recommendation 1.
12. The Company is ordered to consider implementing procedures to cross-reference policies against Social Security administration records to determine if policies should be terminated. (Claims Procedures and Processing.) Recommendation 2.
13. The Company is ordered to consider implementing procedures to determine if more than one (1) policy is involved when a death claim is filed. (Claims Procedures and Processing.) Recommendation 3.
14. The Company is ordered to consider implementing audit controls to assure that claims data is entered into the Company's system accurately. (Claims Procedures and Processing.) Recommendation 4.
15. The Company is ordered to consider acknowledging communications and correspondence from claimants within 10 working days. Reference: WAC 284-30-360(1), WAC 284-30-360(2), WAC 284-30-

360(3). (Claims Standard #3.) Recommendation 5.

16. The Company is ordered to consider providing appropriate disclosures relating to accelerated death benefits and policy premiums. Reference: WAC 284-23-650(7), WAC 284-23-680. (Claims Standard #10.) Recommendation 6.
17. The Company is ordered to consider issuing its policies based on the state where the application is signed rather than the state where the agent holds a license. (Underwriting Procedures.) Recommendation 7.
18. The Company is ordered to consider verifying insurable interest at the time of application. Reference: RCW 48.18.030(1). (Underwriting and Policy Issue Standard #1.) Recommendation 8.
19. The Company is ordered to consider obtaining the consent of the applicant when alterations are made to an application. Reference: RCW 48.18.070(1). (Underwriting and Policy Issue Standard #3.) Recommendation 9.
20. The Company is ordered to consider sending the required notice of replacement and policy summary to the existing carrier within three (3) working days of receipt of the application. Reference: WAC 284-23-455(2)(b). (Policy Replacement Standard #5.) Recommendation 10.
21. The Company is ordered to consider maintaining replacement notices, summaries, and a replacement register for a minimum of three (3) years. Reference: WAC 284-23-455(3). (Policy Replacement Standard #6.) Recommendation 11.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Market Conduct Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 27th day of October, 2005.

A handwritten signature in black ink, appearing to read "Mike Kreidler", is written over the printed name and title.

MIKE KREIDLER
Insurance Commissioner